

**HARFORD COUNTY
FISCAL YEAR 2007 BUDGET SUMMARY**

Although there is a standardized "Annual Budget Process," the development of each year's budget is based on: current and projected economic conditions; the wants of our citizens; plus operational needs and mandates, coupled with the strategic plans, fiscal policies and management techniques adopted by the Administration.

Though a number of our revenue streams have been affected over the past few fiscal years by various outside forces like a national economic slowdown, declining stock markets, low interest rates, and increased unemployment, through prudent fiscal management Harford County has remained fiscally stable. Beginning in FY 05, there has been a major reversal of several economic trends, leaving the County with a much brighter revenue outlook for FY 07 and beyond. Property and Income Taxes generally make up approximately 71% of all revenues. For FY 07 they total only 68.7%. The reasons for the smaller percentage being the inclusion of impact fee revenue for the second fiscal year (estimated at \$2.0 million), increased recordation and transfer tax revenue and a sizable appropriation of fund balance again in FY 07.

PROPERTY TAXES - Low mortgage interest rates produced an increased demand for residential real estate that outpaced supply, leading to rising real estate values and reassessments for the past three years. The budget maintains the property tax rates at \$0.926 for real property and \$2.315 for personal property. The personal property tax rate is required by law to be 2.5 times the real property tax rate.

INCOME TAXES - Receipts are continuing to show growth over last year. The County is experiencing excellent job growth locally and the regional employment picture has brightened, estimated payments have grown and capital gains from real estate sales are increasing.

DEVELOPMENT IMPACT FEE FOR SCHOOL CONSTRUCTION FINANCING - Legislation to impose this fee was adopted by our County Council with an effective date of July 1, 2005. For FY 07, \$2 million in impact fee revenues is appropriated to partially fund the new Patterson Mill Middle School / High School.

APPROPRIATED GENERAL FUND BALANCE- Excess unappropriated fund balance at the end of a fiscal year, above the 5% reserve designated for credit rating purposes, maintained by County policy, is appropriated into the next fiscal year's budget, and treated as one-time funding for that fiscal year.

LONG RANGE ISSUES AND GOALS

BASE REALIGNMENT AND CLOSURE (BRAC) -The Base Realignment and Closure (BRAC) Commission supported the Department of Defense's plan for expanding the mission and scope of Aberdeen Proving Ground (APG) in November 2005 and Harford County was apprised of the extent to which the actions would impact us. The changes resulting from the plan for APG will not be limited to the Post, therefore, a planning and advisory commission was appointed by the County Executive to identify opportunities and challenges facing Harford County as a result of BRAC.

SCHOOL CAPACITY- The modernization / expansion of North Harford High School will be completed in the summer of 2007. The largest project directed to alleviating capacity issues is the new middle school / high school facility to be built at Patterson Mill. The County has proceeded with construction on a "forward funded" basis with the hope that the State will reimburse us in the future. We are also aware of other school capacity needs, included the modernization / replacement of both Bel Air and Edgewood High Schools, a new elementary school for the area northeast of Bel Air, as well as modernization / additions to five elementary schools. In projecting future budgets, additional staff and ancillary expenses are included for additional capacity.

PUBLIC SAFETY - Funds are included in the FY 07 Capital Budget to design and construct a 288 bed expansion for medium security level inmates at the Detention Center. Upon completion of the expansion in FY 2009, the estimated on-going operating costs, to include approximately 88 new positions, will be \$3,135,600 annually. Funds are also included to construct a second floor on the existing Emergency Operations Center and to renovate the Bel Air (Forest Hill), Susquehanna Hose Company, and Willoughby Beach Road substations.

FY 07 ISSUES AND OBJECTIVES

EDUCATION - To bring our teachers salaries more in line with the average salaries paid in other school systems in Maryland, a compensation study was conducted. The study's recommendations were to be funded over two years. The initial funding was provided for in the FY 2006 Budget, and our commitment to the second phase is included in the FY 07 Budget. A similar study was recently conducted for support staff, and funds are included in FY 2007 to provide for the recommended adjustments.

PUBLIC SAFETY - With our commitment to maintaining public safety, the FY 07 budget includes funds to provide sufficient staff, a variety of drug prevention and / or rehabilitation programs, and gang suppression initiatives. Forty new positions created for the Sheriff's Office will be phased in during FY 07, to include twenty deputies and eleven correctional officers. Three new Public Safety Dispatchers and a Hazmat Crew Chief are created for Emergency Operations based on workload. An additional \$3 million is included to cover any contribution to the State to convert our deputized Sheriff's Officers from their present County Sheriff's Pension System to the State Law Enforcement Officers Pension System (LEOPS). The annual appropriation to each volunteer fire company, as well as support services and the EMS Foundation was increased 10%. Matching funds are provided for various anti-drug / crime / gang grants.

WORKFORCE - A merit step and a 3% Cost of Living Adjustment is provided for all eligible staff. The County has been providing funds to assist our retirees in coping with the inflated costs of health care. For FY 07, the county is offering this assistance as a percentage of the retiree's health care package, the percent being based on years of service. This was previously based on years of service and a provided as a set dollar amount.

